Comparative Study on Private and Public Sector Undertakings

†1000. SHRl P.K. MAHESHWARI: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether SCOPE, the highest body of public sector undertakings, has recently issued a comparative study of private and public sector undertakings wherein it has been specifically underlined that the present disinvestment policy is not in favour of public sector;

(b) if so, the comprehensive details of the said study; and

(c) the reaction of Government thereto?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) and (b) The major findings of the "Study on Comparative Performance of Public and Private Sector in India" are given in the Statement. *(See* below).

(c) This has been noted by the Government.

Statement

Major rinding!; of the study on comparative performance of public and private sectors in India

(a) The public sector in India has performed the task assigned to it, reasonably well, given the constraints. There are aberrations, but all are not of its making. The acquisition and operations of bankrupt private sector companies was, for example, a result of decision imposed on it.

(b) The public sector's main objective was socially-focussed, in many cases by the conception of enterprises and in others by their mechanisms. The administered prices were not commercially viable which implied subsidies. Commercial enterprises cannot provide large subsidies and generate high profits.

(c) Empirically, the performance of the public sector, seen in its total perspective, is comparable to that of the private sector, although the former's perceived sub-standard performance has received recurrent and flashing limelight. On a rationally comparable basis, the profitability of CPEs more than matches with that of the total private sector.

† Original notice of the question was received in Hindi.

(d) Performance of the public sector in terms of financial parameters has been improving markedly since the onset of the economic reforms programme.

(e) It is comparable with the private sector in terms of Economic Value added (EVA) and Return on Capital Employed (ROSE). The Government has recovered during the last three years more than the total capital invested in the form of dividends, interest and taxes.

(f) Financial failures have frequently occurred in enterprises controlled and managed by some of the leading business groups and corporate managements applauded for their managements skills, let alone small and medium enterprises, the private sector has been facing tough times with the onset of economic readjustment programme and the onslaught of multinationals. Many have closed down or are sold to MNCs.

(g) Beyond financial performance, the private sector owner managements have been frequent and debilitating defaulters to all stakeholders—shareholders, lenders, depositors, vendors, customers and workers.

(h) Let alone the workers, even the shareholders have not received a fair deal from the private sector with thousands of companies not paying dividends defaulting on repayment of deposits and the share prices touching incredible lows.

(i) Large NPAs damaging the ressults of financial institutions and banks are indicative of the losses incurred and defaults made by the private enterprise entities. So are the large number of sick units.

(j) The overall dividend record of private corporates has been abysmally poor. More than half the number of the listed companies do not pay any dividends. Even EPS of private sector companies, an indicator or profit earning capacity, is low. So is the P/E record—barring a small percentage of star performers,

(k) A large number of sick units in the public sector are a legacy of the private sector. The takenover enterprises acquired at the direction of the Govemment from time to time and not adequately supported by the Government have badly damaged the image of the public sector.

(1) It is universally admitted that there has been very little autonomy in public enterprises. Vital clearances for decisions—from conception to commissioning to current operations—have often been delayed

for months, years and even decades. Many turnaround programmes remain non-starters. Apart from the dilatory clearances, there has been marked positive interference.

(m) Despite the bureaucratic procedures with the public sector undertakings have had to follow, a high degree of professionalism has taken place with far more focussed and efficient HRD interventions.

(n) The public sector has established management and training institutes of which any industrial or service organisation can be proud.

(o) The public sector has undertaking more effective R&D effort at the enterprise level.

(p) PS Us have attended to the welfare and social dimension of the work force in particular and the community in general in a much more effective manner.

(q) Since the onset of the last decade or so, especially since the announcement of the enconomic reforms programme, public sector has come under scathing and undeserved attacks, which have tended to destabilise it.

(r) Underterredby the changing and highly destablishing pronouncements including those on privatisation and disinvestment, which have created uncertainties and demoralisation, the public sector has produced enough evidence that it marches on to meet the challenges of the new millenium.

(s) PSUs after PS Us are working on a new agenda of global competitive-ness and have envisioned—even launched—expansion, diversification, modernisation and restructuring programmes. These moves should generate handsome retuns.

(t) PSUs have also entered and are proposing to enter into strategic alliances and joint ventures within the public sector and between the public sector, on the one hand, and domestic and foreign enterpises, on the other. Some of these plans will expand rather than contract the Indian public sector.

(u) Although continuing to be owned by the government, budgetary support, sometimes critical, has been denied to the public sector enterprises.

(v) PSUs are not basing their ambitious plans of expansion, diversification and technology upgradation on fiscal support. They are confident of generating surpluses and of mobilising the resources by accessing the market on their own.

(w) Since the onset of the economic reforms programme, even the Govemment has taken some positive steps declaring selected CPEs as navaratna and mini-ratnas with some doses of autonomy.

(x) The structure, vision, goals and systems of the public sector have gone through a whole reformation. Almost at the threshold of the year 2001, the public sector in India is no longer the public sector of the early 1980s or even the late 1980s.

(y) Assured of the freedom to operate under new standards of corporate governance now advocated by professional dispensation, the public sector is confident to be globally competitive.

(z) Given the dictates of global competition and need for professional corporate governance, both sectors are slowly but steadily inching towards convergence. Privatisation, as such, is partly a redundant and partly an obsolete concept. There is a need to be innovative in discovering new models of corporate governance.

Editorial titled "The farce continues"

1001. SHRl DIPANKAR MUKHERJEE: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether Government's attention has been drawn to the editorial titled "The farce continues" which appeared in 'The Economic Times' dated 18th January, 2001 regarding sale of one Govemment run unit of IPCL to IOC, another Govemment run company; and

(b) if so, Government's reaction thereto?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) and (b) Yes, Sir. The Govemment has decided that the Vadodara Plant of Indian Petrochemicals Corporation Limited (IPCL), which has synergis with the adjoining Gujarat Refineries of Indian Oil Corporation Limited (IOC) will be transferred to IOC after proper valuation. The rest of IPCL will be disinvested through strategic sale. The figure relating to the value of the assets mentioned in the Press report is speculative and unfounded.